

# THE U.S. TRUST® STUDY OF THE PHILANTHROPIC CONVERSATION

Understanding advisor approaches and client expectations

Conducted in partnership with U.S. Trust

## OVERVIEW

The vast majority of high net worth (HNW) individuals give to charity, and many feel that philanthropy is an important aspect of their wealth experience. HNW individuals are increasingly relying on professional advisors for support with their charitable activity. However, the philanthropic conversations with and advice provided by their advisors are not always aligned to their needs. While there has been evident progress over recent years, several disconnects between HNW individuals and advisors centering on the initiation and substance of their philanthropic discussions persist. Such discussions can play an important role in an individual's or family's wealth experience and have implications for their wealth planning and management. These conversations can also help advisors deepen relationships and grow their businesses by connecting with clients in a more meaningful way.

To better understand the extent and dynamics of philanthropic conversations taking place between wealthy individuals and their advisors, U.S. Trust partnered with The Philanthropic Initiative (TPI) for the second time since 2013 on a study of advisors' approaches to and HNW clients' expectations of these discussions.

The following key findings from the study, conducted in June 2018, are based on an online survey of a random sample of more than 300 advisors — including wealth advisors, trust and estate attorneys, accountants and other tax professionals — and a random sample of 103 HNW individuals with \$3 million or more in investable assets who are actively engaged in charitable giving and who engage at least one type of these advisors. The study was conducted by Phoenix Marketing International, an independent market research firm, on behalf of U.S. Trust and TPI, with all data tested for statistical significance at the 95% confidence level.

## KEY FINDINGS

### Discussing Philanthropy: Whose Job Is It Anyway?

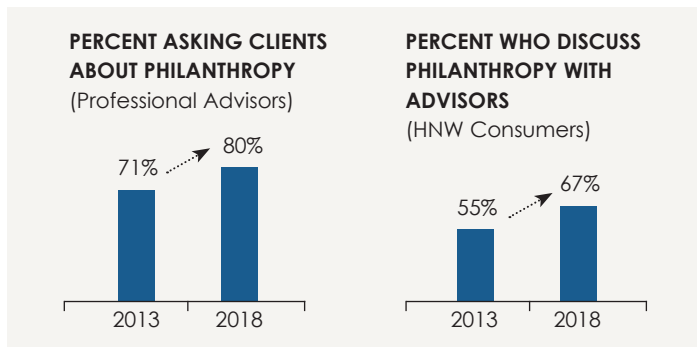
The importance placed on philanthropic conversations — by both advisors and their clients — is on the rise. The study found that nearly all advisors (91%) believe these discussions are important to have with their clients — with many (53%) considering them to be very important, an increase from 46% in 2013. Seventy-eight percent of advisors feel it is their responsibility to raise the issue of charitable giving and 62% percent of advisors consider it to be an ethical and professional obligation to discuss philanthropy with their clients. In keeping with these findings, the study also found that most advisors (80%) make it their regular practice to ask clients about their interest in charitable giving. Perhaps because advisors deem the philanthropic conversation to be so important, 53% will revisit

the subject even if their clients initially appear to be disinterested in discussing their charitable activity.

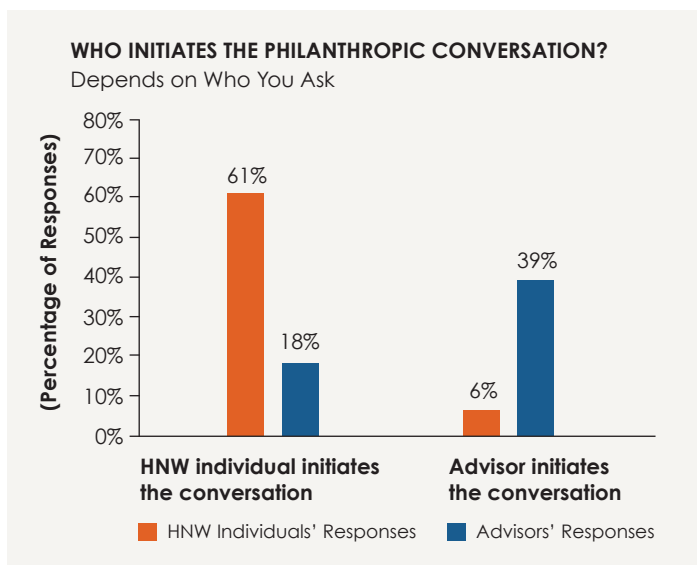
HNW individuals concur on the importance of their advisor with respect to their charitable activity, with the majority (57%) believing that their advisor should play an important or very important role in helping them with their philanthropic efforts. Indeed, HNW clients report that their advisors are second only to their spouse or partner as the most valuable source of information about philanthropy.

## The Philanthropic Conversation: Look Who's Talking

While both professional advisors and the HNW clients they serve report an increase in the frequency of philanthropic discussions since 2013, a meaningful gap between advisors and clients reporting remains. A notably higher percentage of advisors are entering into these conversations today (80%) compared to 2013 (71%). And while only 67% of HNW individuals say they discuss philanthropy with a professional advisor, this is a significant increase from the 55% of clients who reported that they were having these conversations in 2013.



More than one-third of advisors (39%) say they are the one to initiate these discussions with their clients, and that clients initiate them just 18% of the time. However, among HNW individuals who report having discussed philanthropy with an advisor (67%), the majority (61%) say that they are typically the one to initiate the conversation, and that their advisor brings up the subject on their own just 6% of the time.



What matters more to HNW individuals than who initiates the philanthropic conversation is that it be had in a meaningful way early in the relationship. Advisors indicate that they are more likely to bring up the subject of philanthropy once they have greater knowledge of a client's personal (44%) or financial goals (45%), or when they are aware that a client volunteers or is

active in the community (41%). However, many (29%) of HNW individuals feel the topic should be raised during their very first meeting with their advisor, and the majority (58%) agree that this discussion should occur within the first several meetings.

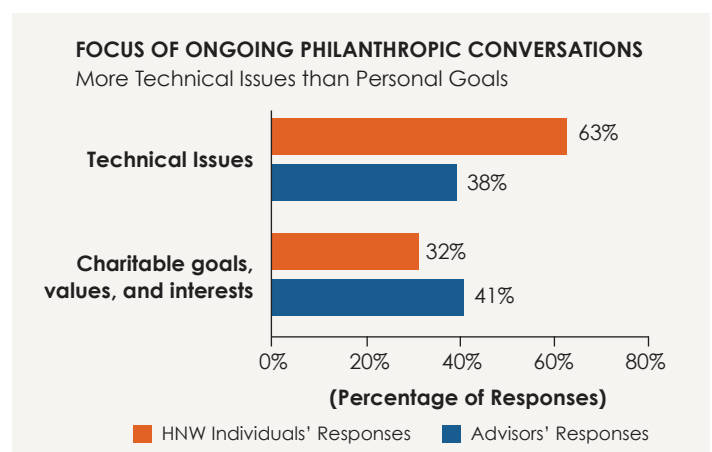
Among advisors who discuss philanthropy with their HNW clients, nearly all (91%) encourage their clients to give to charity, with 41% of advisors doing so regardless of a client's asset level. However, half (50%) of advisors prefer to wait until a client has accumulated at least \$500,000 in liquid assets before encouraging charitable giving, and one-third (32%) place the starting point at \$3 million or more.

Approximately half of advisors (47%) discuss their own charitable giving with their clients, which the study found to be a good idea. Among those HNW individuals who discuss philanthropy with an advisor, 53% say that they would place greater value on the philanthropic advice if the client was aware of the advisor's own philanthropic engagement.

## Clients Seek Values-Based Conversations: Deepening the Discussion

The vast majority (79%) of HNW clients state that their advisor plays an important, if not very important (31%), role in their charitable giving. The percentage of HNW individuals who feel their advisors are good at discussing personal or charitable goals with them rose significantly from 46% in 2013 to 60% in 2018. This feeling improves among individuals actually discussing philanthropy with an advisor, with 76% finding their advisor to be proficient at rendering philanthropic advice, up from 63% in 2013.

However, with less than half of HNW individuals (45%) being fully satisfied and only 52% being even somewhat satisfied with these conversations, there is room for improvement. A likely reason for clients' dissatisfaction with these philanthropic discussions may be that the majority (58%) of advisors continue to emphasize the technical aspects of philanthropy when raising these discussions with their clients — focusing on tax considerations or wealth structuring, for example — compared to those who do so beginning with their clients' philanthropic goals or passions (40%).



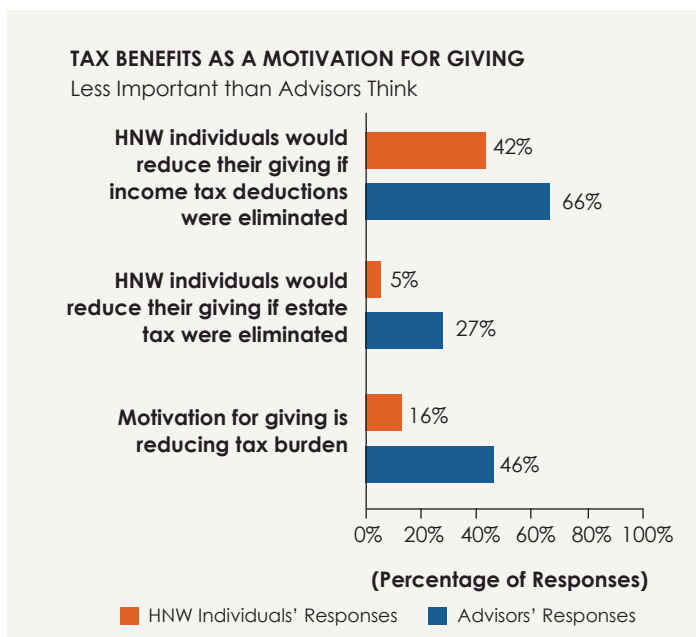
Once initiated, advisors report that the content of the ongoing conversation is more balanced between the personal (41%) versus technical issues (38%). However, HNWI individuals report otherwise, with nearly two-thirds (63%) finding that ensuing discussions with their advisor about charitable giving tend to center on the more technical issues, while just 32% indicate that these discussions center on their charitable goals, values and interests.

Despite this disconnect, many individuals (71%) who discuss philanthropy with an advisor still believe such conversations are important, including 30% who consider them to be very important.

### Why People Give and Why They Do Not: Knowing What Matters Most to Clients

The top three reasons why advisors believe their HNWI clients engage in charitable giving are consistent with the top motivations reported by HNWI individuals themselves, which are: being passionate about a cause, having a strong desire to give back, and having a positive impact on society and the world. After that, however, reasons provided by HNWI individuals and advisors differ significantly:

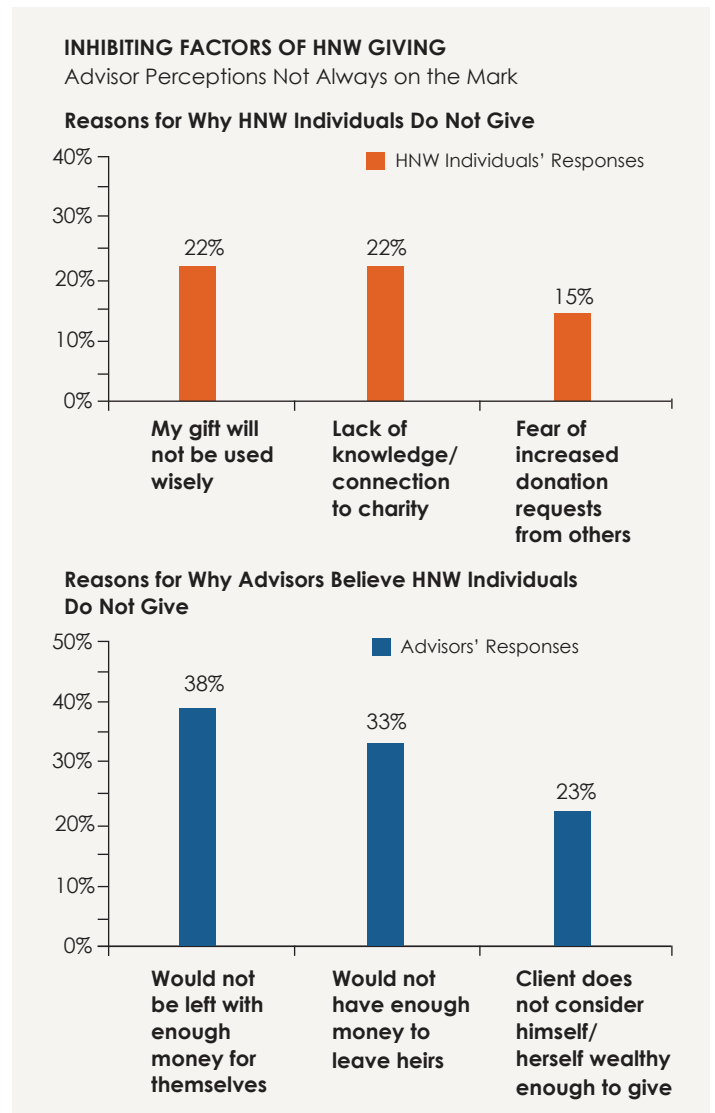
- The next four most cited reasons by HNWI individuals were: religious or spiritual motivations (32%), because they believe giving back is an obligation of wealth (28%), tradition of family giving (27%), and to encourage giving by the next generation (25%). Meanwhile, advisors believed their clients' next most popular motivations would include: reducing their tax burden (46%), religious or spiritual reasons (43%), tradition of family giving (32%), and creating a family legacy (29%). The study found that, in fact, just 16% of HNWI individuals cite reducing taxes among their motivations for giving.



- Further evidence of a disconnect on the topic of taxes was found when advisors cited a belief that 27% of HNWI individuals would reduce their giving if the estate tax were eliminated, and that 66% would do so if income tax deductions for donations were eliminated — whereas just 5% and 42% of HNWI individuals, respectively, indicated that they would reduce their charitable giving if these tax policy changes occurred. Nonetheless, there is evident progress compared to 2013, with fewer advisors today thinking that their clients would reduce their level of giving if these tax benefits were eliminated.

The reasons advisors and HNWI individuals cite for why HNWI individuals do not give or hesitate to give to charity differ even more starkly:

- Advisors are under the misimpression that the top reasons HNWI individuals may shy away from giving are that they would not be left with enough money for themselves (38%), they would not have enough money to leave to their heirs (33%), and they do not consider themselves wealthy enough to give (23%). To the contrary, HNWI individuals



cite a concern that their gift would not be used wisely by a nonprofit recipient (22%), their lack of knowledge about or connection to a charity (22%), and fear of increased donation requests from others (15%).

### Utilization of Giving Vehicles

Our study here found that the use of giving vehicles has increased since 2013 (32% in 2013 v. 43% in 2018 ) and is correlated with more advisor involvement — among HNW individuals who discuss philanthropy with an advisor, 53% use one or more structured giving vehicles when making donations to charitable organizations.

Clients’ perceptions of their advisors’ knowledge about giving vehicles is increasing. Twenty-six percent of HNW individuals indicate that discussions with their advisor about philanthropy have included advice about giving vehicles and/or help in setting one up. And, among individuals who discuss philanthropy with an advisor, 46% consider their advisor to be very knowledgeable about these vehicles as compared to 35% in 2013.

### Engaging the Next Generation

Advisors increasingly recognize the importance of family and philanthropic values to their HNW clients. The study found that 66% of advisors are likely to raise the topic of philanthropy with clients (who have children) for the purpose of involving future generations in giving, up from 60% in 2013. Two-fifths (43%) of HNW individuals feel it is important to involve children and grandchildren in family discussions about charitable giving. However, only 29% of HNW individuals report that their advisor has suggested involving children and grandchildren in such discussions.

### Valuable Knowledge

Forty percent of HNW individuals — up from 31% in 2013 — indicate that they would be more likely to choose an advisor

who is knowledgeable about charitable giving. It is a positive development then, that an increasing number of advisors (63% up from 57% in 2013) plan to increase their knowledge about philanthropy and to better their ability to advise clients about charitable giving.

Among advisors interested in becoming more proficient at rendering philanthropic advice, the areas they would like to learn about are: understanding more about giving vehicles (57%); developing a strategic giving plan (51%); becoming better at integrating a client’s philanthropic values and goals into an overarching wealth management plan (46%); engaging the next generation in giving (40%); becoming more familiar with non-profits and community needs (40%); the role that impact investing (or Socially Responsible Investing) plays in their clients’ philanthropic pursuits (38%); and ways to initiate philanthropic discussions with their clients (37%).

### Good for Clients, Good for Business

More than three quarters (78%) of advisors say that discussing philanthropy with clients is good for their business for a variety of reasons, including that it: presents a more comprehensive and holistic approach to managing a client’s wealth (23%); provides insights that help advisors better serve their clients (15%); demonstrates greater personal interest in their clients and their charitable goals and aspirations (14%); and shows clients that they are interested in more than just their clients’ money (13%).

Most advisors find discussing philanthropy with clients to be an excellent way to deepen relationships (74%) and establish new relationships (60%). Many HNW individuals (43%) agree that discussing philanthropy with an advisor has, in fact, deepened their relationship.

Two-thirds of advisors (63%, up from 56% in 2013) have also found that discussing philanthropy with clients has helped them build relationships with members of the client’s extended family.

### Concluding Thoughts

The frequency, depth and quality of philanthropic conversations between professional advisors and their clients have increased since this survey was last conducted in 2013. These trends are manifested in both the clients’ experience and advisors’ practice. These shifts are also contributing to advisors’ business development. And while these discussions are happening to a greater degree and with slightly greater client satisfaction levels, they still fall short of their potential. HNW individuals value philanthropic guidance from their advisors and look to advisors to help them fulfill their philanthropic missions, involve the next generation, and leave a legacy. They also seek more values-based discussions with advisors about their philanthropy — conversations that go beyond tax considerations and include life goals, values and passions — so that they can achieve their philanthropic ambitions for themselves, their families, and their communities.



## LEARN MORE

To download the full U.S. Trust Study of the Philanthropic Conversation, please visit [tpi.org/resources](https://tpi.org/resources).

### About The Study

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### About The Philanthropic Initiative

The Philanthropic Initiative (TPI) is a global philanthropic consulting practice that helps individuals, families, foundations, and corporations develop and execute customized strategies to increase the impact of their giving and achieve philanthropy that is more strategic, effective, and fulfilling. For more than 30 years, TPI has served as consultant and thought partner to ambitious donors and funders who embrace innovative thinking in their efforts to find local, national, and global levers of change. TPI is committed to actively promoting and advancing strategic philanthropy by conducting cutting-edge research, publishing donor education resources, and training individuals, organizations, and advisors in best practices. In addition, TPI helps professional advisors build their capacity to meet the philanthropic needs of their clients by strengthening the internal culture of philanthropy within firms, and providing tools and resources to enable relationship managers and advisors to better support their clients and attract new clients.

### About U.S. Trust® Philanthropic Solutions

U.S. Trust recognizes the importance of philanthropy to our clients. We are dedicated to the notion of purposeful wealth and to the prosperity of the nonprofit communities it supports. We put our strengths and resources behind every mission — be it a philanthropic individual or family or a nonprofit organization. We provide specialized advisory, administrative and investment solutions to both private philanthropic clients and nonprofit organizations that help transform their charitable goals into meaningful action. We tailor mission-focused solutions and offer ongoing advice and guidance through a close working relationship with a dedicated advisor, helping individuals and organizations turn missions into milestones.

Source: The 2018 U.S. Trust Study of The Philanthropic Conversation.



The Philanthropic Initiative has helped individuals, families, foundations, and companies increase the impact of their philanthropy for more than 30 years. Working around the globe, we partner with clients to create, implement, and evaluate customized philanthropic strategies. TPI operates nationally and globally, and is housed at the Boston Foundation.

75 Arlington Street, Suite 710, Boston, MA 02116 | 617.338.2590 | [www.tpi.org](http://www.tpi.org)